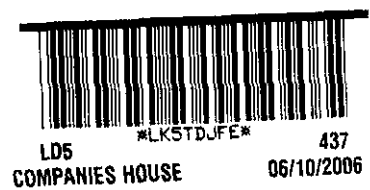


**Company Registration No. 0886981**

**Kuwait Petroleum International  
Treasury Services Limited**

**Report and Financial Statements**

**31 March 2006**



# **Kuwait Petroleum International Treasury Services Limited**

## **Report and financial statements 2006**

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# **Kuwait Petroleum International Treasury Services Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

### **Principal activity and review of the business**

The principal activity of the company is to act as a group treasury company. The directors expect the level of business to remain stable in the future.

### **Results and dividends**

During the year the company made a profit after taxation of US\$1,045,827 (2005 – US\$1,664,015). The directors recommended interim dividends of US\$ 0.30 per ordinary share which was paid on 17 May 2005 and US\$0.20 per ordinary share which was paid on 21 March 2006 (2005 – US\$nil per share). The directors do not recommend the payment of a final dividend. The dividend paid on 13 June 2005 was originally included in the financial statements for the year ended 31 March 2005 but, following the adoption of FRS21 on 1 April 2005, has been restated and included in the results for the current year (see note 10).

The retained loss of US\$1,454,223 (2005 – gain of US\$1,664,015) will be transferred to reserves.

### **Directors and their interests**

The directors who served during the year and to the date of this report, except as otherwise stated below, were as follows:

S. Hakim	Y. Al-Yateem (appointed 30 June 2005)
G. Smith	J.R. Howells (resigned 30 June 2005)
A. Al-Houti	

The directors have no interests which require disclosure under Schedule 7 of the Companies Act 1985.

### **Information to auditors**

Each of the directors in office at the time when the directors' report is approved confirm that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985.

### **Financial risk management**

The company is exempt from the requirement to provide details of its financial risk management objectives and policies and of its exposure to price, credit, liquidity and cash flow risk as it qualifies as a small company under the Companies Act 1985.

### **Enhanced Business Review (EBR)**

The company is exempt from the requirement to provide an EBR as it qualifies as a small company under the Companies Act 1985.

# **Kuwait Petroleum International Treasury Services Limited**

## **Directors' report**

### **Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



S A Hakim  
Director

28 September 2006

Duke's Court  
Duke Street  
Woking, Surrey  
GU21 5BH

# **Kuwait Petroleum International Treasury Services Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed;
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of Kuwait Petroleum International Treasury Services Limited**

We have audited the financial statements of Kuwait Petroleum International Treasury Services Limited for the year ended 31 March 2006 which comprise the profit and loss account, balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

*28 September 2006*

# Kuwait Petroleum International Treasury Services Limited

## Profit and loss account Year ended 31 March 2006

	Notes	2006 US\$	2005 US\$ (restated – see note 10)
Net income from treasury activities	1, 2	2,170,165	2,697,909
Administrative expenses		(1,124,338)	(1,033,894)
<b>Profit on ordinary activities before and after taxation</b>	3, 5	1,045,827	1,664,015
Dividends paid	6	(2,500,050)	-
<b>Retained (loss) / profit for the year</b>		(1,454,223)	1,664,015
<b>Retained profit brought forward</b>		2,869,548	1,205,533
<b>Retained profit carried forward</b>	10	1,415,325	2,869,548

There were no recognised gains or losses in either year other than the profit for those years. Consequently no statement of total recognised gains and losses has been presented. All activities of the company were continuing throughout both years.



# Kuwait Petroleum International Treasury Services Limited

## Balance sheet 31 March 2006

	Note	2006 US\$	2005 US\$ (restated – see note 10)
<b>Current assets</b>			
Debtors	7	577,001,522	551,761,944
Cash at bank		199,885,882	91,060,700
		<u>776,887,404</u>	<u>642,822,644</u>
<b>Creditors: amounts falling due within one year</b>	8	(770,258,968)	(634,739,985)
<b>Net current assets</b>		<u>6,628,436</u>	<u>8,082,659</u>
<b>Total assets less current liabilities</b>		<u>6,628,436</u>	<u>8,082,659</u>
<b>Capital and reserves</b>			
Called up equity share capital	9	5,000,150	5,000,150
Profit and loss account	10	1,415,325	2,869,548
Capital contribution	10	212,961	212,961
<b>Equity shareholders' funds</b>	11	<u>6,628,436</u>	<u>8,082,659</u>

These financial statements were approved by the Board of Directors on 28 September 2006.

Signed on behalf of the Board of Directors



S. Hakim  
Director

# **Kuwait Petroleum International Treasury Services Limited**

## **Notes to the financial statements Year ended 31 March 2006**

### **1. Accounting policies**

A summary of the principal accounting policies all of which, with the exception of the adoption of FRS 17 in respect of pensions (see pensions below) and FRS 21 in respect of events after the balance sheet date, have been applied consistently throughout the year and the preceding year, is set out below. The impact of adoption of FRS 21 in relation to dividends is disclosed in note 10.

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention, except for the revaluation of certain open forward foreign exchange contracts, and in accordance with applicable United Kingdom law and accounting standards.

#### **Presentation of profit and loss account**

Due to the fact that the company provides treasury services and acts as an intermediary between other group companies and the external market, the directors are of the opinion that it is more appropriate to use net income from treasury activities rather than turnover and cost of sales in presenting the profit and loss account.

#### **Foreign currencies**

The financial statements are presented in US dollars which is the functional currency of the company.

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the year end foreign exchange rates. All forward foreign exchange contracts which are open at the year end are revalued at rates of exchange derived from observable market information applicable to those contracts.

All profits and losses arising on the translation or revaluation of foreign currency assets, liabilities and forward foreign exchange contracts are recognised immediately in the profit and loss account. Gains and losses arising from the use of hedging instruments are recorded in the profit and loss account concurrently with losses and gains arising from the underlying hedged investments.

#### **Financial instruments**

Financial instruments are recorded at trade date at fair value. Subsequent changes to fair value, based on external market rates obtained by the company, are reflected in the profit and loss account.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in a period different from those in which they are recognised in the financial statements. Deferred taxation is not discounted.

# Kuwait Petroleum International Treasury Services Limited

## Notes to the financial statements Year ended 31 March 2006

### 1. Accounting policies (continued)

#### Net income from treasury activities

Net income from treasury activities includes gains and losses on foreign currency trading activities accounted for on a mark-to-market basis, and interest receivable and payable accounted for on an accruals basis.

#### Cash flow statement

The company's ultimate parent company, Kuwait Petroleum Corporation (see note 14), presents consolidated financial statements which consolidate the results of the company and are publicly available. Accordingly under Financial Reporting Standard No. 1 no cash flow statement is included in these financial statements.

#### Pensions

The company adopted FRS17, "Retirement Benefits" on 1 April 2005 and participates in a group defined benefit scheme. The company accounts for its obligations in respect of the defined benefit scheme on a defined contribution basis, as the net assets of this scheme relating to individual companies cannot be separately identified. Accordingly, the adoption of the FRS17 had no impact on the results of the company. The latest actuarial valuation of the defined benefit scheme, prepared in accordance with FRS 17 and reflected in the consolidated accounts of the immediate parent company, shows a deficit position. Further details can be found in the annual report of Kuwait Petroleum (U.K. Holdings) Limited.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year.

Further information on pension costs is provided in note 13.

### 2. Net income from treasury activities

	2006 US\$	2005 US\$
Net intercompany (loss)/gain on foreign currency activities	(18,714,942)	3,359,732
Net external gain/(loss) on foreign currency activities	18,285,476	(2,741,899)
Net (loss)/gain on foreign currency activities	(429,466)	617,833
Net intercompany interest (paid)/earned	(2,531,291)	2,504,361
Net external interest earned/(paid)	5,130,921	(424,285)
Net interest earned	2,599,630	2,080,076
Net income from treasury activities	2,170,164	2,697,909

All activities during either year derived from one business segment, the provision of treasury services, and from one geographical area.

The company writes short-term foreign currency forward exchange contracts with fellow subsidiary undertakings in order to hedge external currency exposures identified by such undertakings. It also takes out offsetting short-term foreign currency forward exchange contracts with third party financial institutions with high credit ratings in order to hedge the exposure relating to these intercompany instruments.

# Kuwait Petroleum International Treasury Services Limited

## Notes to the financial statements Year ended 31 March 2006

### 2. Net income from treasury activities (continued)

The amounts shown above in respect of foreign currency activities represent the movement in the fair values of such foreign exchange financial instruments during the year and derive entirely from forward contracts as in the previous year.

### 3. Profit on ordinary activities before taxation

The audit fees for both years were borne by another group undertaking.

### 4. Staff costs

Particulars of employees (including executive directors) are as shown below:

Employee costs during the year amounted to:

	2006 US\$	2005 US\$
Wages and salaries	404,190	276,050
Social security costs	13,945	20,377
Pension costs (see note 13)	28,766	26,628
	<u>446,901</u>	<u>323,055</u>

The average monthly number of persons employed by the company during the year was 3 (2005 – 3).

### Directors' remuneration:

One director was remunerated by the company. The remuneration of the director was as follows:

	2006 US\$	2005 US\$
Emoluments (including pension contributions)	<u>217,382</u>	<u>175,455</u>

No other directors received or were due any remuneration relating to services provided to the company in either year. No directors held share options in the company during the current or prior years.

One director (2005 – 1) was a member of a defined benefit pension scheme.

# Kuwait Petroleum International Treasury Services Limited

## Notes to the financial statements Year ended 31 March 2006

### 5. Tax on profit on ordinary activities

No provision has been made for corporation tax for the current year (2005 – US\$nil) on the basis that group relief is available.

	2006 US\$	2005 US\$
Profit on ordinary activities before tax	1,045,827	1,664,015
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 – 30%)	313,748	499,205
Effects of:		
Capital allowances in excess of depreciation	(1,201)	(1,655)
Utilisation of tax losses via group relief	(312,547)	(497,550)
Current tax charge for the year	-	-

There are no material amounts of deferred tax at either year end.

### 6. Dividends paid

Dividends paid on equity shares:

	2006 US\$	2005 US\$ (restated - see note 10)
Interim paid for 2004/05 of US\$0.30 per ordinary share of US\$1	1,500,000	-
Interim paid for 2004/05 of US\$0.30 per ordinary share of £1	30	-
Interim paid for 2005/06 of US\$0.20 per ordinary share of US\$1	1,000,000	-
Interim paid for 2005/06 of US\$0.20 per ordinary share of £1	20	-
	2,500,050	-

### 7. Debtors

	2006 US\$	2005 US\$
Amounts falling due within one year:		
Amounts owed by other group undertakings	576,863,194	549,379,800
Other debtors (see below)	138,328	2,382,144
Total debtors	577,001,522	551,761,944

Other debtors in 2005 includes US\$2.3 million in respect of the fair value of open foreign currency forward exchange contracts at the balance sheet date.

# Kuwait Petroleum International Treasury Services Limited

## Notes to the financial statements Year ended 31 March 2006

### 8. Creditors: amounts falling due within one year

	2006 US\$	2005 US\$ (restated – see note 10)
Amounts owed to other group undertakings	769,213,377	634,591,888
Accruals and deferred income	608,959	148,097
Other creditors	436,632	-
	<u>770,258,968</u>	<u>634,739,985</u>

Other creditors in 2006 represents the fair value of open foreign currency forward exchange contracts at the balance sheet date.

### 9. Called up share capital

	2006 £	2006 US\$	2005 £	2005 US\$
<b>Authorised</b>				
10,000,000 ordinary shares of US\$1 each	-	10,000,000	-	10,000,000
100 ordinary shares of £1 each	100	150	100	150
	<u>100</u>	<u>10,000,150</u>	<u>100</u>	<u>10,000,150</u>
<b>Authorised, issued and fully paid</b>				
5,000,000 ordinary shares of US\$1 each	-	5,000,000	-	5,000,000
100 ordinary shares of £1 each	100	150	100	150
	<u>100</u>	<u>5,000,150</u>	<u>100</u>	<u>5,000,150</u>

### 10. Reserves

Of the total reserves shown in the company's balance sheet, the following amounts are regarded as distributable or otherwise.

	Capital contribution US\$	Profit and loss account US\$
Opening balance as at 1 April 2005 as previously stated	212,961	1,369,518
Prior year adjustment (see below)	-	1,500,030
As at 1 April 2005 restated	212,961	2,869,548
Retained loss for the year	-	(1,454,233)
Closing balance as at 31 March 2006	<u>212,961</u>	<u>1,415,325</u>

The capital contribution is non-distributable.

# Kuwait Petroleum International Treasury Services Limited

## Notes to the financial statements Year ended 31 March 2006

### 10. Reserves (continued)

The prior year adjustment relates to a dividend that was declared subsequent to 31 March 2005 but recorded in the financial statements of that year. On 1 April 2005 the company adopted FRS21 ("Events after the balance sheet date") and has restated its financial statements to show this dividend in the result for the year end 31 March 2006, as required by that standard.

### 11. Reconciliation of movements in equity shareholders' funds

	2006 US\$	2005 US\$ (restated – see note 10)
Opening equity shareholders' funds	8,082,659	6,418,644
Profit for the year	1,045,827	1,664,015
Dividends paid	(2,500,050)	-
Closing equity shareholders' funds	<u>6,628,436</u>	<u>8,082,659</u>

### 12. Financial commitments

In accordance with the company's accounting policy, all foreign currency exchange contracts are marked to market at the end of each month. At the year end the gross contracted amounts of such contracts, none of which extended beyond 12 months, was US\$1,096,264,099 (2005 – US\$684,487,413).

### 13. Pension costs

The group headed by Kuwait Petroleum (U.K. Holdings) Limited operates a funded defined benefit pension scheme in the UK, the assets of which are held in a separate trustee-administered fund.

The total pension cost for the company was US\$28,766 (2005 – US\$26,628). At the end of the year, there was no accrual or prepayment (2005 – US\$nil).

No separate disclosures are required under the provisions of FRS 17 "Retirement Benefits", as the company participates in a group pension scheme and the net assets of this scheme relating to individual companies cannot be separately identified. The latest actuarial valuation of the defined benefit scheme, prepared in accordance with FRS 17 and reflected in the consolidated accounts of the immediate parent company, shows a deficit position. Further details can be found in the annual report of Kuwait Petroleum (UK Holdings) Limited.

### 14. Ultimate parent company

The ultimate controlling party and parent company of the largest group of undertakings for which group accounts are drawn up, and of which the company is a member, is Kuwait Petroleum Corporation, incorporated in Kuwait. The parent company of the smallest such group, and the immediate parent company, is Kuwait Petroleum (UK Holdings) Limited whose principal place of business is at Duke's Court, Duke Street, Woking, Surrey GU21 5BH. Copies of the consolidated accounts of Kuwait Petroleum (UK Holdings) Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

### 15. Related parties

The company has utilised the exemption in paragraph 3(c) of Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with other members of the group headed by Kuwait Petroleum Corporation as it is a wholly owned subsidiary of the group headed by Kuwait Petroleum Corporation.